GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:607
ANSWERED ON:28.07.2006
SENIOR CITIZEN SCHEME
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Will the Minister of FINANCE be pleased to state:

(a) whether interest earned from senior citizen savings scheme is tax able under Tax Deduction at Source (TDS) ;

(b) if so, the details thereof ;

(c) whether this clause was applicable while launching this scheme;

(d) if so, the details thereof and if not, the reasons therefore;

(e) the income tax amount collected on interest earned by senior citizens on deposits under the senior citizen savings scheme during the last two years ;

(f) whether the Government proposes financial relief to senior citizens especially in view of rising inflation which has hit them hard; and

(g) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (d): Interest payable under the Senior Citizens Savings Scheme 2004 is taxable as per the provisions of the Income Tax Act and tax is deductible at source as per the provisions of Section 194A of the Income Tax Act. However, senior citizens of the age of 65 years and above, whose estimated tax on total income for a financial year is nil, may furnish a declaration in Form 15 H form deduction of tax at source.Other depositors are eligible for claiming no deduction of tax at source on furnishing a declaration in Form 15 G, subject to other prescribed conditions. Moreover, any depositor may obtain a certificate for no deduction or lower deduction of tax at source under Section 197(1) of the Income Tax Act from his assessing officer, provided the specified conditions are fulfilled.The Senior Citizens Savings Scheme Rules, 2004 notified in the Gazette of India on 2nd August, 2004 did not contain any provision regarding tax concessions on deposits under the Scheme. The press communique dated 3rd August, 2004 announcing the launch of the scheme also inter alia, mentioned that the interest earned on deposits under the Scheme is tax able.

(e): The scheme wise information for tax deducted at source is not centrally maintained.

(f)&(g) : The Senior Citizens Savings Scheme provides a positive real rate of return to senior citizens, which is higher than the market rate on comparable savings instruments. Vide Finance Act 2005, the exemption limit for senior citizens, who are of the age of 65 years or more, was raised to Rs. 1,85,000/-, whereas such exemption limit for other individuals (excluding women residents) remains at Rs. 1,00,000/. No proposal to provide further financial relief to senior citizens is currently under consideration of the Government.